

**FALKIRK COUNCIL**

**Subject: STRATEGIC HOUSING INVESTMENT PLAN 2013-2018**  
**Meeting: EXECUTIVE**  
**Date: 13<sup>th</sup> January 2015**  
**Author: DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

**1. INTRODUCTION**

- 1.1 This report provides updated information in relation to the Council's Strategic Housing Investment Plan (SHIP) and future new build housing project proposals for Member consideration.

**2. BACKGROUND**

- 2.1 The Local Housing Strategy (LHS), the Local Development Plan (LDP) and, specifically, the SHIP are the key statements of housing development priorities in the Local Authority area. These documents guide the application of Government (and other) funding for new Council house building, as well as Registered Social Landlord (RSL) development for both rent and low cost home ownership.
- 2.2 The preparation of the SHIP is undertaken reflecting guidance from the Scottish Government, prioritising investment based on a range of factors including relative need, land availability and development constraints. The LHS and SHIP seek to ensure a twin track approach is in place at a local level to ensure the available funding is spent to best effect.
- 2.3 Central to the development of the SHIP is the Resource Planning Assumptions (Grant Subsidy) provided by the Scottish Government. In addition, the Scottish Government also requires local authorities to provide a Strategic Local Programme (SLP), listing projects prioritised in the SHIP which effectively forms a new build development programme for both Council's and RSL's. Approved SLPs are required to be submitted annually to the Scottish Government.
- 2.4 On 18<sup>th</sup> March 2014 Executive agreed the Council's SLP for the 5 year period 2013/14 to 2017/18. The SLP sets out the proposed new affordable housing programme for both the Council and RSL partners, based on the grant levels provided by the Scottish Government.

**3. STRATEGIC LOCAL PROGRAMME (SLP) TO 2016/17**

- 3.1 Within the SLP approved by Members in March 2014, the Scottish Government agreed to c£3.3m of funding to be brought forward to the first two years of the programme to take account of the increase in benchmark figures per unit. However, no additional grant has been provided to meet the brought forward funding. As such, it is now expected that the future year's SLP programme is realigned, in order to ensure the overall programme remains within the total grant funding (RPA) levels set by the Scottish Government.

- 3.2 The following tables provide details of Scottish Government Resource Planning Assumptions (RPA) for Affordable Housing Grant, together with future estimated project funding in order to realign the SLP. Detailed information on the projects is also included within the revised SLP set out in Table 2, taking into account the need to remain within the overall RPA i.e.: within the £14.4m Scottish Government grant provision.

**Table 1: Summary of RPA & SLP Required Funding**

	<b>RPA/ Scottish Government Funding</b>	<b>Estimated Funding Required</b>	<b>Annual Variance</b>	<b>Cumulative Variance</b>
2013-15	£6,725,000	£10,005,662	£3,280,662	
2015-16	£4,153,000	£1,912,640	-£2,240,360	£1,040,302
2016-17	£3,527,000	£2,321,080	-£1,205,920	-£165,618
<b>TOTAL</b>	<b>£14,405,000</b>	<b>£14,239,382</b>	<b>-£165,618</b>	

Note: The cumulative variance will be carried forward to future years.

**Table 2: Revised SLP to 2016/17**

<b>Year</b>	<b>Project</b>	<b>Unit No's</b>	<b>Scottish Govt Funding</b>	<b>Update/Changes to SLP approved in March 2014</b>
2013-15	Merchiston Avenue, Falkirk (Phase 2) (Falkirk Council)	27	£1, 242, 000	On site – due for completion March 2015
2013-15	Auchincloch Banknock (Link Group)	30	£1, 945, 890	On site – due for completion April 2015
2013-15	Glenfair Nursery (Falkirk Council)	10	£460, 000	On site – due for completion April 2015
2013-15	Denny Police Station (Falkirk Council)	9	£414, 000	On site – due for completion April 2015
2013-15	Tinto Drive, Grangemouth (Falkirk Council)	56	£1, 613, 024	Completed June 2014
2013-15	Canal Walk, Bonnybridge (Link Group)	28	£1, 243,088	On site – due for completion July 2015
2013-15	Bellsdyke Phase 3 (Link Group)	28	£1, 508,000	Completed June 2014
2013-15	Glenburn Road (Loretto)	26	£1, 579, 660	On site – due for completion May 2015
<b>Total</b>		<b>214</b>	<b>£10, 005, 662</b>	
2015-16	Stenhousemuir Police Station (Falkirk Council)	18	£690, 000	Previously 15 units now 18. Contribution of £138, 000 from 2 <sup>nd</sup> homes Council Tax to meet cost of additional units
2015-16	Carrick Place Tamfourhill, Falkirk	20	£1,222,640	Increase of £62,640 funding required

	(Weslo Housing Management)			relating to 3p equivalent which is paid to RSLs on basis of property size and S Govt silver standard (Energy)
2015/16	Duke Street, Denny (Falkirk Council)	20	£0	This project is now being funded through affordable housing planning contributions. Previously 18 units now 20 units
<b>Total</b>		<b>58</b>	<b>£1, 912, 640</b>	
2016-17	Westquarter (Hanover Housing )	14	£812, 000	No change
2016-17	Dunipace (Kingdom Housing Association)	20	£1, 233, 080	New project
2016-17	Haugh Street, Falkirk (Falkirk Council)	6	£276, 000	New project
<b>Total</b>		<b>40</b>	<b>£2, 321, 080</b>	

- 3.3 In addition to the changes noted in the revised SLP detailed in Table 2 above, the project at Seaview Place Bo'ness (Falkirk Council) for 3 units, has now been removed from the SLP as it is now no longer considered to be economically viable. In addition, applying grant funding for buy backs will be considered in year 5 of the programme i.e.: 2017/18.
- 3.4 Indicative Resource Planning Assumptions for 2017/18 and 2018/19 have been advised by the Scottish Government and work is on-going with partners to develop projects for years 2017 to 2019. An SLP for this period will be submitted to Executive, once this work has been concluded.

#### 4. PENSION FUND – SOCIAL/AFFORDABLE HOUSING INVESTMENT

- 4.1 Members will be aware of the Pension Committee decision to appoint Hearthstone PLC to manage a £30m investment in Social/Affordable Housing, with £15m of the £30m to be invested in Social Housing and the remaining £15m invested in Affordable Housing. Hearthstone's strategic partner in the project is Castle Rock Edinvar (CRE), an Edinburgh based Housing Association.
- 4.2 Following on from the Pensions Committee decision, discussions have taken place with representatives from CRE; Housing officers from Falkirk; Stirling & Clackmannanshire Councils and Scottish Government (Financial Innovation & Housing, Regeneration and Welfare Directorates). The focus of these meetings has been to develop project proposals to utilise the £15m available funding in relation to Social Housing.
- 4.3 At the outset of the discussion CRE were keen to identify potential sites which could be developed quickly, across the 3 Local Authority areas i.e.: sites which had the necessary planning approvals and consents in place. As such, 2 potential sites have been identified within the Falkirk Council area i.e.: Bellsdyke & Overton Crescent, Redding. CRE have subsequently submitted a development proposal for 62 social rented units on the Bellsdyke site. No specific proposals have as yet been identified for the Redding site, although discussions with CRE and the developer are still on-going.

4.4 CRE have advised that the development proposal for the Bellsdyke site requires additional funding/subsidy in the order of **£4m** to make the project viable. The Scottish Government Housing, Regeneration and Welfare Directorate have advised that they have fully committed their funding (Resource Planning Assumptions as outlined in section 3 above) to Falkirk Council and as such no additional subsidy is forthcoming from that source. However, recognising the national dimension of this project, the Scottish Government Financial Innovation Unit have advised that they will fund £2m towards the project shortfall, on a one-off basis. This however, still leaves a £2m shortfall.

4.5 The following points also require to be considered in relation to the development proposal from CRE:

- The Local Housing Strategy 2011-16 identified the Larbert/Stenhousemuir/Rural North area as having the areas of greatest housing need, based on the Housing Need and Demand Assessment
- Tenants on the Falkirk Council waiting list would have nomination rights for the properties
- All rental income from the properties would accrue to CRE i.e.: the Council will not receive any rental income from the properties.
- The properties would remain rented for a period of 10 years and would thereafter be offered for sale to the sitting tenant or on the open market (similar to the National Housing Trust model). The Council would be required to re-house the sitting tenant at that point, should they not wish to buy the property, as they would be deemed as homeless.
- In the Falkirk Council area, CRE have only 8 (2 apartment 1 bedroom) flats in Bo'ness with an average weekly rent of £65.12. Average CRE weekly rent levels across Scotland are in the region of £70 to £85 per week, compared to the Council's average rent of £57.46 per week.
- Rent levels for the properties at Bellsdyke are estimated to be in the region of £85-£90 per week. By way of comparison, recent Falkirk Council new build rents are between £67-£69 per week.
- Funding of the £2m shortfall is not contained within currently approved budgets and would therefore require to be funded from either:
  - Displacement of one or more of the projects detailed in Table 2 above, with Scottish Government grant funding redirected to the Bellsdyke development
  - The Council's HRA via borrowing, which is estimated to cost c£150,000pa. This is equivalent to an additional c£0.20p per week on rents and would require tenant consultation
  - 2<sup>nd</sup> Homes Council Tax funds, the current balance is £1.3m. Affordable housing investment as proposed is considered an appropriate use of such funds. However, deployment of such funds should be considered within an overall context of delivering best value to the Council. The most recent use of such funds was the deployment of c£170,000 to support the completion of 23 new homes by Kingdom Housing Association at Overton, Redding. The CRE requirement is significantly in excess of the current balance and previously allocated levels of funding.
  - A combination of the above elements

- The £2m funding would not be repayable to the Council at the end of the 10 year rental period. This is different to the NHT developments, whereby the Council is repaid on sale.
- It is anticipated that similar gap funding would be required for the Overton Crescent development, particularly given that the Scottish Government Financial Innovation Unit are unlikely to fund a second development.

4.6 On balance whilst the Bellsdyke development would deliver 62 new social rented properties in an area of high demand, funding of the £2m shortfall from either HRA; 2<sup>nd</sup> Homes Council Tax funds or redirecting existing RPA is not considered to represent best value. As such, it is recommended that further liaison is undertaken with the Scottish Government Housing, Regeneration and Welfare Directorate with a view to securing additional Affordable Housing Grant. Should additional grant funding be identified a revised Strategic Local programme (SLP) will be submitted to Executive for consideration.

## 5. RECOMMENDATIONS

It is recommended that the Executive:

- 5.1 Agree the revised Strategic Local Programme outlined in Table 2;
- 5.2 Agree not to fund the £2m shortfall in funding of the proposed development by Castle Rock Edinvar at Bellsdyke, Larbert and
- 5.3 Ask officers to liaise further with the Scottish Government Housing, Regeneration and Welfare Directorate with a view to securing additional Affordable Housing Grant.

.....  
**DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

Date: 10 December 2014

Ref: AAP130115 SHIP

Contact Officers: Jennifer Litts, Head of Hosuing Services, extn 0789  
 David McGhee, Head of Resources & Procurement, ext 0788  
 Karen Strang, Strategy & Development Co-ordinator extn 0859

## LIST OF BACKGROUND PAPERS

1. Report to Executive 18 March 2014, Local Housing Strategy 2011-16 – 2013 Update
2. Report to Pensions Committee 17 March 2014, Investment in Social/Affordable Housing